

## Message Text

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ACTION TRSE-00

INFO OCT-01 EA-07 ISO-00 NEA-10 IO-13 AID-05 CIAE-00

COME-00 EB-08 FRB-03 INR-07 NSAE-00 USIA-06

XMB-02 OPIC-03 SP-02 LAB-04 SIL-01 OMB-01 NSC-05

SS-15 STR-04 CEA-01 L-03 H-01 PA-01 PRS-01

AGRE-00 /104 W

-----063200 100453Z /15

P R 100318Z AUG 77

FM AMEMBASSY MANILA

TO SECSTATE WASHDC PRIORITY 3532

INFO AMEMBASSY KUALA LUMPUR

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USADB

FOR NAC AGENCIES

E. O. 11652: NA

TAGS: EAID, EFIN, MY

SUBJECT: PAHANG TENGGARA REGIONAL DEVELOPMENT PROJECT (MALAYSIA)

1. IN DECEMBER 1974, ADB APPROVED \$18.0 MILLION LOAN FOR PAHANG TENGGARA REGIONAL DEVELOPMENT PROJECT, WHICH FORMS PART OF LONG-TERM DEVELOPMENT SCHEME FOR PAHANG TENGGARA REGION COVERING GROSS AREA OF 2.5 MILLION ACRES. IT INCLUDED PROVISION OF FINANCING FOR 13 EXPATRIATE PROFESSIONAL STAFF TO STRENGTHEN PLANNING, COORDINATION, IMPLEMENTATION AND MONITORING CAPABILITIES OF PAHANG TENGGARA DEVELOPMENT AUTHORITY (DARA). IN MAY-JUNE 1977, SECOND PAHANG TENGGARA REGIONAL DEVELOPMENT PROJECT WAS APPRAISED BY BANK MISSION AND WILL BE SUBMITTED TO BOARD OF DIRECTORS FOR CONSIDERATION. IT COMPRISES: (A) CONSULTANT SERVICES FOR DARA; (B) CONSTRUCTION OF ABOUT 36 MILES OF ACCESS ROADS, TWO WATER SUPPLY SYSTEMS, 6,484 RESIDENTIAL HOUSES FOR FAMILIES OF LOW-INCOME GROUPS AND 532 COMMERCIAL

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BUILDINGS REQUIRED FROM 1978 TO 1980; (C) ESTABLISHMENT OF A MANUFACTURING UNIT TO PRODUCE HOUSE MODULES FROM RESIDUAL TIMBER; AND (D) WATER RESOURCES AND MANAGEMENT STUDY.

2. AGRICULTURAL OPERATIONS UNDER OVERALL DEVELOPMENT SCHEME ARE PROCEEDING WELL AHEAD OF OTHER ACTIVITIES AND PROVISION OF ADDITIONAL TOWN INFRASTRUCTURE AND FACILITIES

HAS BECOME EXTREMELY URGENT. TO STRENGTHEN CAPABILITIES OF DARA IN HOUSING SECTOR, HOUSING IMPLEMENTATION UNIT WILL BE ESTABLISHED COMPOSED OF A CORE PROFESSIONAL STAFF HEADED BY AN EXPATRIATE HOUSING EXPERT, TOGETHER WITH LOCAL TECHNICAL STAFF. UNIT IS SCHEDULED TO BECOME OPERATIONAL BY JANUARY 1978, BUT HOUSING EXPERT IS REQUIRED AT EARLIER STAGE TO ASSIST IN ORGANIZING UNIT. HIS FUNCTIONS INCLUDE DIRECTION, MANAGEMENT AND COORDINATION OF PLANNING, DESIGN, CONSTRUCTION, FINANCING AND MAINTENANCE OF HOUSING AND COMMERCIAL BUILDINGS AND MONITORING OF OVERALL HOUSING PROGRAM. GOVT HAS REQUESTED THAT HOUSING EXPERT BE ENGAGED IMMEDIATELY AND HIS SERVICES FOR FIRST YEAR BE FINANCED FROM SAVINGS UNDER EARLIER LOAN, AND FOR SECOND AND THIRD YEARS FROM PROPOSED SECOND LOAN.

3. UNDER PROPOSED SECOND LOAN, IT HAS BEEN ESTIMATED THAT A WATER RESOURCES MANAGEMENT STUDY TO BE CONDUCTED BY CONSULTING FIRM SPECIALIZING IN WATER RESOURCES CAN BE COMPLETED IN TWO-MONTH PERIOD. TERMS OF REFERENCE FOR STUDY INCLUDE, AMONG OTHERS, (A) TO PROPOSE MODIFICATIONS TO MASTERPLAN FOR REGION AS DICTATED BY QUANTITATIVE ESTIMATION OF WATER RESOURCES; (B) TO ASSIST IN FORMULATING PLANNING AND DEVELOPMENT POLICIES TO IMPLEMENT ALTERNATIVE STRATEGIES EMANATING FROM STUDY ON CAPABILITY OF WATER RESOURCES TO MEET DEMANDS AND NEEDS OF REGION; AND (C) TO RECOMMEND, IF NECESSARY, CHANGES IN LAND USE POLICY TO LIMITED OFFICIAL USE

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LESSEN POTENTIAL ADVERSE IMPACT ON WATER RESOURCES AND ENVIRONMENT. DARA IS NOW CONDUCTING, ON URGENT BASIS, REVIEW OF LAND ALIENATION AND COMMITMENTS WHICH WILL BE ASSISTED BY EARLY COMPLETION OF STUDY. GOVT HAS, THEREFORE, REQUESTED THAT EARLY ACTION BE INITIATED FOR SELECTION OF CONSULTANTS FOR PROPOSED STUDY.

4. ADB PRESIDENT RECOMMENDS THAT, PRIOR TO CONSIDERING PROPOSED SECOND PROJECT, BOARD APPROVE CALLING FOR PROPOSALS FOR SELECTION OF (A) HOUSING EXPERT AND (B) CONSULTANTS FOR WATER RESOURCES MANAGEMENT STUDY AND EVALUATION OF PROPOSALS. ACTION WOULD BE TAKEN IN ACCORDANCE WITH BANK'S GUIDELINES ON USES OF CONSULTANTS. CONTRACTS WOULD BE AWARDED ONLY AFTER APPROVAL OF PROPOSED LOAN FOR SECOND PAHANG TENGGARA REGIONAL DEVELOPMENT PROJECT. GOVT WILL BE INFORMED THAT BANK'S APPROVAL OF REQUESTED ADVANCE ACTION WILL IN NO WAY COMMIT BANK TO FINANCE PROPOSED PROJECT OR ANY OF ITS COMPONENTS. IF SO OBJECTION TO, OR REQUEST FOR DISCUSSION OF, RECOMMENDATION IS MADE BY ANY BOARD MEMBER BY AUGUST 18, 1977, RECOMMENDATION WILL BE DEEMED TO HAVE BEEN APPROVED. USADB DOES NOT PROPOSE TO OBJECT.

5. ADB DOC R79-77 ON ABOVE SUBJECT POUCHED ADDRESSEES  
AUGUST 9.  
STULL

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## Message Attributes

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**Review Markings:**  
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